

International Investment Position of the United States

NEARLY \$21 billion was added to United States investments abroad during the years 1947 through 1953, bringing the total to \$39.5 billion by the end of that year. In the same period, foreign assets in the United States rose by nearly \$8 billion to \$23.6 billion. Previous articles in the *SURVEY* and special supplements to the *SURVEY* have contained information on many aspects of postwar international investments. The present article incorporates this information, revised to a consistent basis for the entire period 1946-53, and provides new information on the value of the various types of investments and assets comprising the net creditor position of the United States, especially with regard to foreign-owned assets in the United States.

The increase in United States investments abroad from 1946 through 1953 was about evenly divided between private investments, and credits and subscriptions to the International Bank and Monetary Fund by the United States Government. Most of the addition to foreign investments in the United States was in relatively liquid dollar assets, including deposits and other short-term claims against banks and commercial concerns as well as obligations of the United States Government. The latter are held primarily by foreign official accounts as readily-available reserves.

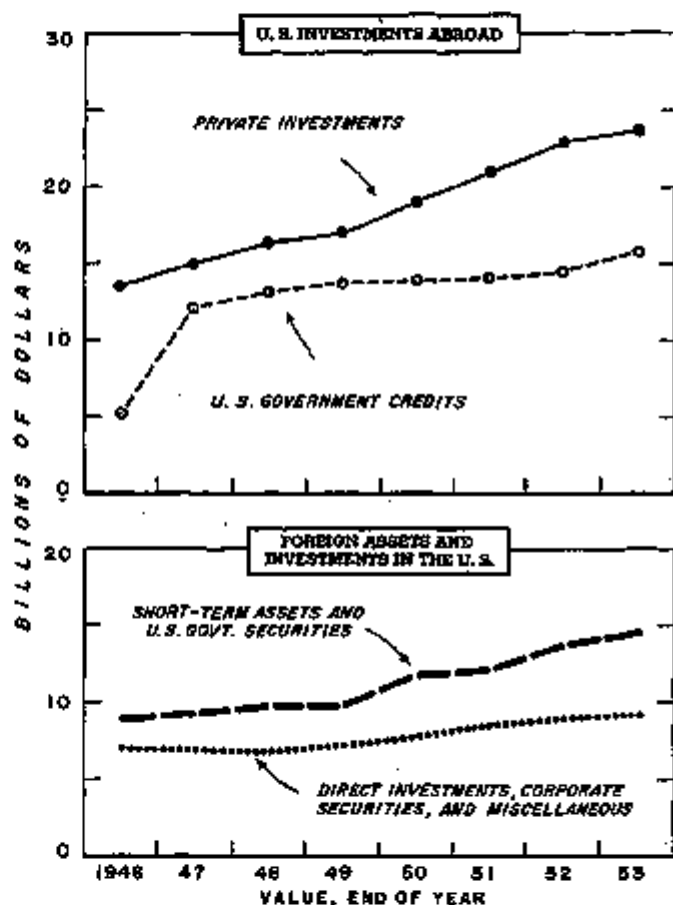
By the end of 1953 the United States had a net creditor position of about \$16 billion, as measured in table 1. Over time the accumulated net creditor position reflects primarily the cumulative net surplus in the balance of payments on the aggregate of goods and services, less net unilateral transfers to foreign countries. One very important means of financing the surplus or deficit in the balance of payments, however, is not reflected in the international investment statement—namely, the international flow of gold. On the other hand, the value of international investments is affected not only by capital movements appearing in the balance of payments, but also by the reinvestment of corporate earnings, changes in market values of securities, and adjustments for other factors such as writeoffs, seizure without full compensation, and changes in foreign exchange rates. The importance of these factors is summarized in tables 6 and 7.

The composition of the assets and liabilities comprising the international investment statement is extremely varied. Included are long-term private investments made for business considerations, United States Government credits extended to help strengthen the economies of other countries, and a large part of the monetary reserves of foreign countries. United States private long-term investments abroad at the end of 1953 were \$22.1 billion as against about \$9.1 billion for similar foreign investments in the United States. United States private short-term assets abroad, mostly commercial credits, were only \$1.9 billion while foreign liquid dollar assets in the United States, mostly financial reserves, were \$14.5 billion at the end of 1953. There is no foreign counterpart, of course, for United States Government credits outstanding of \$15.7 billion.

Because a much greater part of United States foreign investments is income-producing, and especially because United States direct investments abroad are far larger than

similar foreign investments here and are primarily involved in developing productive capacity abroad, United States earnings abroad are much greater than foreign earnings here. In 1953, United States earnings, including reinvested

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earnings, were \$2.6 billion, while foreign earnings here were \$0.5 billion.¹ This excess of United States earnings is most significant from the point of view of the balance of payments, and is a highly important aspect of the creditor status of the United States.

United States Investments Abroad

The postwar growth of American direct investments accounted for nearly 90 percent of the postwar rise in

1. See *SURVEY OF CURRENT BUSINESS* for December 1953, "Income on International Investments."

NOTE.—MR. PIZER AND MR. BODDIE ARE MEMBERS OF THE BALANCE OF PAYMENTS DIVISION OF THE OFFICE OF BUSINESS ECONOMICS.

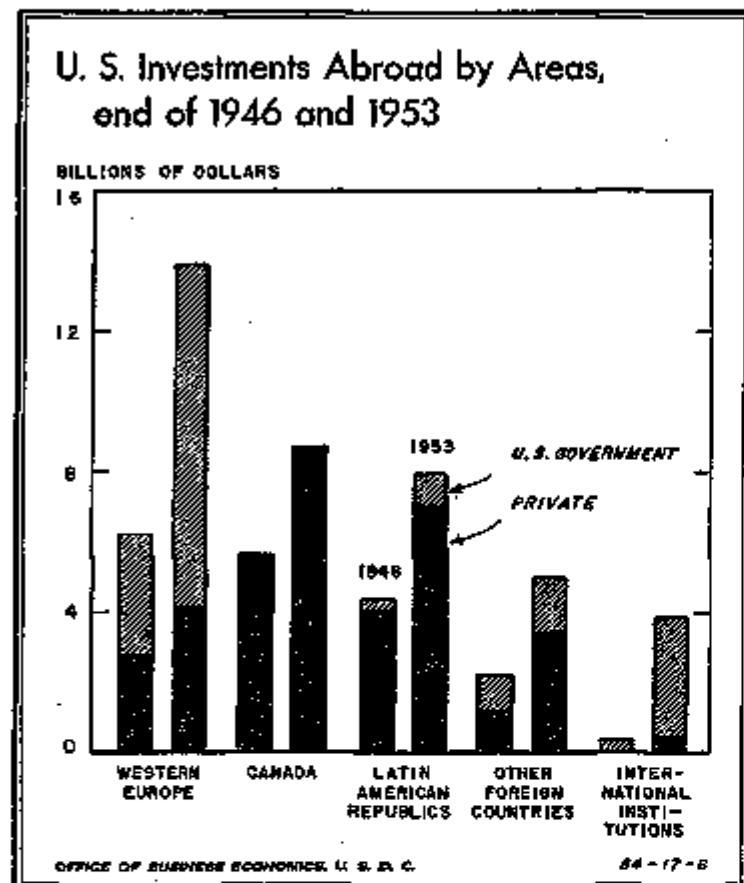
private investments abroad. The share of direct in total private investments rose from about 45 percent in 1930 to about 70 percent by the end of 1953. Complete information in direct investments has been published recently in *Foreign Investments of the United States*, a 1953 special supplement to the SURVEY OF CURRENT BUSINESS, and in the SURVEY

dition to the factors affecting foreign dollar bonds these securities change in value with changes in foreign exchange rates. Thus, their value dropped after the devaluations of 1949. Most of the transactions were in Canadian bonds, and were connected with prospective changes in exchange rates, particularly in 1950, as well as changes in relative U. S. and Canadian bond yields.

Considerable amounts are invested abroad in a great variety of long-term private assets or investments, including real property held for income, estates and trusts, insurance policies, etc. These assets were reported in the wartime Treasury census² at a value of about \$900 million. Practically no current information is available for these items and they are carried forward in table 2 with a value of about \$600 million, after eliminating assets now believed to be virtually worthless.

The principal remaining item in this category is medium or long-term credits by commercial and financial institutions. These credits, mainly to Western European governments and enterprises, increased from about \$350 million at the end of 1946 to about \$830 million at the end of 1953.

A great part of postwar Government credits, including the United States subscriptions to the International Bank and Monetary Fund, took place before 1948. After that time the bulk of Government aid to foreign countries was in the



for December 1953 and January 1954. In brief, an annual average of about \$1.3 billion was added to direct investments abroad from the end of 1946 through 1953, with comparatively little variation from year to year. As shown in table 6, about half of the additional investment was derived from retained earnings of foreign subsidiaries.

In contrast to the active investment in directly managed enterprises abroad, there has been relatively little interest by Americans in foreign portfolio investments, i. e., purchases of foreign dollar bonds or other securities, or loans by private financial institutions. Whereas portfolio investments grew by about \$4.6 billion in the decade of the 1920's, the growth from the end of 1946 through 1953 was less than \$1 billion.

Nearly all of the investment in the earlier period was in foreign bonds payable in dollars and issued by many foreign countries; by the end of 1946 these holdings, which had a value of about \$7 billion in 1930, were reduced by defaults, declining market values and redemptions to a market value of \$1.5 billion, of which about three-fourths was in Canadian issues. From 1946 through 1953 the principal dollar bond issues, including refunding issues, were for Canada (\$1.1 billion), the International Bank (\$0.6 billion) and Israel (\$135 million). In the period, however, there was a considerable volume of redemptions, as shown in table 6, including the refunding of outstanding issues to reduce interest costs. After 1950 the market value of dollar bonds was reduced by rising interest rates.

American holdings of foreign bonds and equity securities denominated in foreign currencies are also concentrated in Canada, which accounts for four-fifths of the total. In ad-

Table 1.—International Investment Position of the United States in Selected Years

(Billions of dollars)

	1914 ¹	1919	1930	1939	1946	1953
United States investments abroad.....	3.5	7.0	17.2	11.4	18.7	39.5
Private.....	3.5	7.0	17.2	11.4	18.5	33.7
Long-term.....	3.5	6.5	15.2	10.8	12.3	22.1
Direct.....	2.6	3.9	8.0	7.0	7.2	16.2
Portfolio.....	0	2.6	7.2	3.8	5.1	5.9
Short-term.....	na	0.5	2.0	0	1.2	1.6
United States Government ²					0.2	15.7
Foreign investments in the United States.....	7.2	4.0	5.4	9.0	15.9	23.6
Long-term.....	6.7	3.2	5.7	6.3	7.0	9.1
Direct.....	1.4	0.9	1.4	2.0	2.3	3.7
Portfolio.....	5.4	2.3	4.3	4.3	4.7	5.4
Short-term assets ³	0.5	0.8	2.7	2.7	8.9	14.5
United States net creditor position.....	-3.7	3.0	2.8	1.3	2.8	15.8
Net long-term.....	-3.2	3.3	0.5	4.5	10.5	25.7
Net short-term.....	-0.5	-0.3	-7.7	-2.7	-7.0	-12.9

na—Not available.

1. At June 30.

2. Excludes World War I loans; includes some short-term assets.

3. Includes United States Government obligations in 1946 and 1953.

Notes.—Data for various years are not wholly comparable because of different sources and methods, but the data are adequate to show main trends over the period.

Source.—U. S. Department of Commerce, Office of Business Economics.

form of grants. The detailed record of Government credits and grants appears in *Foreign Aid 1940-51*, a special 1952 supplement to the SURVEY OF CURRENT BUSINESS, and the SURVEY of April 1954. The bulk of the Government credits went to Western Europe to finance postwar reconstruction and, in 1953, \$1 billion, representing part of the value of postwar aid to Germany, was added to Government credits. Short-term Government assets abroad, also largely in Western Europe, consist principally of holdings of foreign currencies most of which represent the United States portion of the counterpart funds to grant aid.

Foreign Investments in the United States

Foreign holdings in the United States are of a markedly different character from United States investments abroad, with about 60 percent of the total representing liquid dollar

2. Census of American-Owned Assets in Foreign Countries, U. S. Treasury Department, GPO: 1947.

reserves rather than private investments to further business interest. Foreign investments in the United States of the latter type accounted for only \$2.1 billion of the total increase of \$7.7 billion from 1946 through 1953.

There has been little opportunity for private foreign long-term capital flows to the United States since the war because of the exchange restrictions generally applied abroad. Most of the change in value, as shown in table 7, resulted from reinvested earnings of United States subsidiaries or affiliates of foreign companies and rising market prices of United States corporate securities.

Foreign direct investments in the United States of \$3.7 billion at the end of 1953 were about four times as great in value as at the end of the first world war. This growth depended primarily on additions to existing enterprises as the United States economy expanded. There has been a noticeable increase in foreign direct investments in the United States since 1951, particularly from Canada and the United Kingdom.

Holdings of corporate securities

Foreign portfolio investments in United States securities have been traditionally the leading type of long-term investment in the United States. At the outset of World War I these investments, consisting very largely of bonds, were valued at about \$5.4 billion, of which nearly \$3.8 billion was in railroad stocks and bonds. The wartime liquidation amounted to about \$3 billion and by the end of 1919 the value of foreign security holdings was estimated at about \$2.3 billion.

In order to establish a new benchmark for the value of these investments, as well as for the income derived from them, a very extensive study was made of data available on withholding tax records on file at the Bureau of Internal Revenue. The benchmark data for corporate stocks were as of the end of 1949, the data for corporate bonds were for 1950. The following sections, extrapolating the benchmark data back to 1946 and forward to 1953, incorporate some of the results of this study.

Corporate stocks.—At the close of 1953 foreign owners held over 60 million shares of domestic common and preferred stocks with a market value of \$3.7 billion. This was a gain of nearly \$1 billion over the 1946 value. Rising market prices much more than offset net sales by foreigners of \$136 million. From 1946 through 1948 sales by France and the Netherlands were particularly heavy in order to help finance reconstruction costs.

Beginning in 1949 there were moderate net purchases in the United States by Swiss and United Kingdom investors, or investors utilizing financial services in those countries, but sales continued to be recorded for the Netherlands. In 1949-52 an annual average of over \$300 million was added to the value of these corporate stocks through the rise in the market, with a moderate downturn coming in 1953. The effects of these changes on the holdings of individual foreign countries are shown in table 3.

An industry distribution of these holdings for 1953, and a comparison with 1934, are given in table 4. There appears to be a fairly wide dispersion among industries with the largest holdings showing up under petroleum, public utilities and railroads and railroad equipment. Major changes from 1934, after allowing for price changes, are the declining holdings of rails, banks and utilities and the increased holdings of petroleum equities.

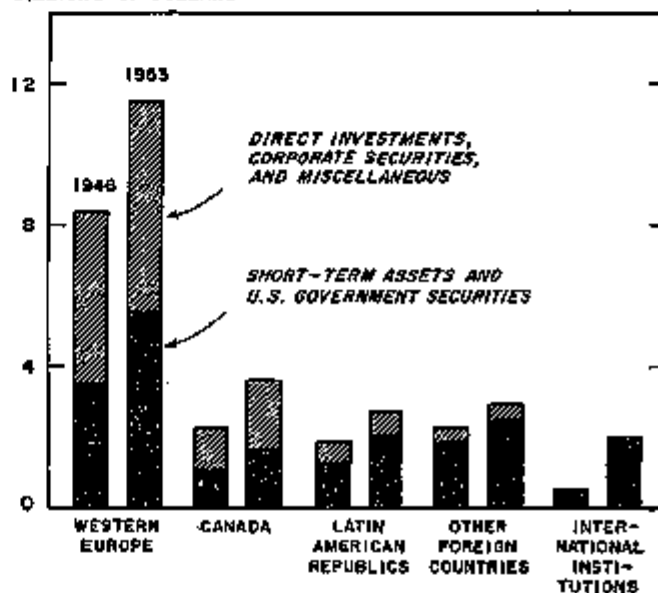
On the whole the industrial distribution was not much changed, reflecting in part the continued preference by foreigners for the stable, easily marketed issues of leading corporations. In 1949, about 84 percent of the value of foreign holdings was in issues listed on the New York Stock Exchange.

There is considerable specialization by investors of different countries among the various industries; some examples are Swiss holdings of chemicals, United Kingdom holdings of utilities, Dutch holdings of steel and Canadian holdings of stocks of paper companies.

Corporate bonds.—One of the largest changes in the international investment position of the United States has been the liquidation of foreign holdings of domestic corporate bonds. The value of these investments declined from about \$4.0 billion at the beginning of world war I to about \$400 million in 1940 and to less than \$100 million at present.

Foreign Assets and Investments in the U. S. by Areas, end of 1946 and 1953

BILLIONS OF DOLLARS



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Prior to 1914, holdings of railroad bonds were by far the largest single component of foreign investments in the United States. These holdings were reduced to less than \$1 billion by the end of world war I and were further reduced by defaults and refinancing in the interwar period. Foreign investments in United States securities in the 1920's and during the flight capital period in the late 1930's went almost exclusively into industrial equities.

The decline in the market value of foreign-owned domestic bonds from about \$400 million in 1940 to less than \$100 million at present represents in part a continuation of this longer run trend, but many of the issues were bearer bonds which may have been lost or destroyed during the war, or may have been brought to the United States without appearing in the recorded data on capital movements.

Other foreign long-term investments in the United States consist largely of estates and trusts, real property, insurance policies and various claims. For many of these items the data in the Treasury census for 1941 are carried forward since the information on changes since that time is extremely scanty.

Over the period from the 1920's to the present there have been some most important changes in the size and character of liquid dollar assets owned by foreigners. In the 1920's the growth of these holdings from \$300 million to about \$3

billion was fostered by the development of the gold exchange standard, the great volume of United States private lending, high money rates in the stock market, and the change to dollar rather than sterling financing of United States foreign trade. In fact, foreign funds held in the United States were

an important source of financing for United States exports. Over three quarters of the total holdings were European. By the end of 1933 as a result of the depression and the disruption of international trade and finance these assets were reduced to about \$500 million.

Table 2—International Investment Position of the United

(Millions)

Type of investment	Total									Western Europe								
	1946	1947	1948	1949	1950	1951	1952	1953	1946	1947	1948	1949	1950	1951	1952	1953		
United States investments abroad, total.....	18,693	27,095	29,444	30,655	32,843	34,806	37,253	39,484	6,207	10,023	11,367	11,711	12,414	12,598	12,519	12,763		
Private investments.....	13,325	18,904	16,251	15,949	10,004	20,046	22,829	22,722	2,743	2,772	3,037	2,076	3,564	3,513	4,071	4,131		
Long-term.....	12,263	18,445	14,727	15,037	17,468	19,295	21,090	22,131	2,258	2,443	2,592	2,012	3,091	3,437	3,072	3,373		
Direct.....	7,227	8,008	9,621	10,700	11,786	13,089	14,519	15,207	1,041	1,166	1,307	1,460	1,729	1,979	2,146	2,317		
Foreign dollar bonds.....	1,024	1,403	1,838	1,728	1,892	2,071	2,344	2,377	82	91	79	95	85	80	84	76		
Securities payable in local currencies.....	2,572	2,492	2,423	2,073	2,541	2,674	2,431	2,048	627	641	634	400	409	410	394	328		
Other.....	940	1,035	1,010	1,136	1,367	1,481	1,590	1,490	493	481	523	857	877	943	1,068	982		
Short-term.....	1,262	1,458	1,574	1,392	1,518	1,023	1,736	1,500	485	424	485	384	473	416	399	460		
Deposits.....	885	908	913	893	887	822	829	855	158	131	135	123	212	138	144	150		
Other.....	897	1,150	1,301	1,019	1,628	1,321	1,419	1,256	327	293	349	261	261	278	255	270		
United States Government credits ¹	5,168	12,192	13,193	15,716	13,840	14,007	14,424	16,732	3,464	7,151	8,220	8,735	9,850	8,747	8,839	9,774		
Long-term.....	4,946	11,808	12,016	13,429	12,519	12,671	14,067	16,421	3,423	7,095	8,190	8,662	9,823	8,572	8,098	9,544		
Short-term.....	212	384	227	287	321	336	357	311	41	56	30	143	227	255	231	230		
Foreign assets and investments in the United States, total.....	15,880	16,705	16,545	16,679	15,459	20,548	22,527	22,616	8,330	7,280	7,594	7,833	8,341	8,389	10,623	11,539		
Long-term investments.....	6,985	8,820	6,758	7,122	7,744	8,460	8,929	9,140	4,775	4,585	4,494	4,731	5,127	5,590	5,889	6,006		
Direct.....	2,599	2,603	2,787	2,941	3,186	3,399	3,519	3,744	1,737	1,774	1,808	1,972	2,056	2,156	2,261	2,371		
Corporate stocks.....	2,590	2,490	2,325	2,425	2,493	2,490	2,705	3,850	1,865	1,705	1,863	1,963	1,996	2,075	2,080	2,026		
Corporate, state, and municipal bonds.....	239	164	138	177	181	189	327	289	106	131	90	123	133	129	145	178		
Other.....	1,563	1,564	1,636	1,514	1,500	1,481	1,478	1,477	1,017	985	981	971	953	926	933	931		
Short-term assets and United States Government obligations.....	8,895	8,285	9,789	9,767	11,715	12,099	13,898	14,476	3,555	2,695	3,100	3,164	3,214	3,799	4,690	5,234		
Private obligations.....	5,281	5,341	6,787	6,943	8,512	8,661	7,263	7,893	2,078	2,552	2,761	2,882	2,830	2,893	3,013	3,154		
Deposits.....	4,594	4,963	5,285	5,451	6,851	6,766	6,240	6,926	2,517	2,115	2,509	2,366	2,412	2,267	2,376	2,438		
Other.....	637	378	499	490	861	863	1,038	1,134	161	177	281	306	417	540	680	726		
United States Government obligations.....	3,614	3,961	4,003	3,816	4,203	5,448	6,335	6,581	887	408	346	492	584	596	1,637	2,370		
Long-term.....	3,580	461	470	338	1,470	810	1,113	1,019	185	156	156	161	466	351	449	420		
Short-term.....	3,294	3,500	3,533	3,478	2,733	4,638	5,222	5,562	692	252	190	331	518	545	1,188	1,950		
Net debtor (-) or creditor position.....	2,813	10,391	12,899	13,768	13,386	14,266	14,726	15,838	-2,113	2,743	3,763	3,876	4,073	4,211	2,371	2,386		

Type of investment	Canada									Latin American Republics								
	1946	1947	1948	1949	1950	1951	1952	1953	1946	1947	1948	1949	1950	1951	1952	1953		
United States investments abroad, total.....	5,825	5,532	5,918	6,163	7,252	7,835	8,946	6,654	4,301	5,251	5,765	5,887	6,130	6,307	7,604	7,998		
Private investments.....	5,606	5,325	5,911	6,157	7,243	7,825	8,731	6,645	4,006	4,755	5,301	5,556	5,898	6,283	7,018	7,057		
Long-term.....	5,448	5,283	5,705	6,011	7,093	7,583	8,135	6,441	3,603	4,125	4,614	5,001	5,143	5,581	6,149	6,383		
Direct.....	2,473	2,628	2,907	3,146	3,670	3,972	4,563	5,112	3,045	3,625	4,165	4,500	4,783	5,170	5,788	6,023		
Foreign dollar bonds.....	1,152	982	1,069	1,127	1,108	1,281	1,384	1,480	199	169	151	152	169	163	147	131		
Securities payable in local currencies.....	1,604	1,012	1,002	1,663	2,132	2,181	1,034	1,600	156	125	104	47	54	34	33	30		
Other.....	100	103	167	175	176	179	194	219	191	219	211	212	215	219	211	199		
Short-term.....	187	142	146	140	268	232	204	408	408	630	687	535	555	602	850	674		
Deposits.....	100	00	87	92	145	108	92	91	34	49	50	43	65	50	53	53		
Other.....	87	89	59	48	123	124	113	317	374	581	637	512	490	642	816	622		
United States Government credits ¹	20	7	7	8	9	10	15	19	292	466	404	441	432	394	585	623		
Long-term.....	7	6	6	7	8	9	14	18	273	329	361	396	426	619	582	930		
Short-term.....	13	1	1	1	1	1	1	1	19	136	43	43	6	4	4	93		
Foreign assets and investments in the United States, total.....	3,291	1,823	2,360	2,466	3,116	3,284	3,713	3,838	1,684	2,008	2,064	2,212	2,466	2,377	2,683	2,727		
Long-term investments.....	1,236	1,272	1,333	1,442	1,008	1,778	1,913	2,003	684	566	574	686	606	648	679	661		
Direct.....	678	833	887	787	890	972	1,061	1,172	137	137	136	139	139	138	143	136		
Corporate stocks.....	485	405	485	605	690	640	685	676	214	194	203	213	235	272	269	235		
Corporate, state, and municipal bonds.....	34	34	21	30	28	28	27	10	16	17	15	15	16	20	30	43		
Other.....	140	140	140	140	140	140	140	140	216	218	218	218	218	218	218	218		
Short-term assets and United States Government obligations.....	1,055	551	1027	1068	1,508	1,518	1,805	1,835	1,300	1,442	1,490	1,525	1,858	1,729	1,903	2,096		
Private obligations.....	364	572	355	367	427	429	600	637	1,176	1,327	1,338	1,496	1,672	1,496	1,622	1,726		
Deposits.....	337	339	300	333	393	497	531	571	1,082	1,221	1,268	1,487	1,542	1,325	1,431	1,535		
Other.....	27	33	35	34	34	32	60	65	84	106	101	81	123	179	191	191		
United States Government obligations.....	692	179	692	809	1,081	889	1,205	996	128	113	121	128	125	231	281	330		
Long-term.....	71	53	93	48	588	13	223	741	67	78	75	88	122	123	118	125		
Short-term.....	621	96	599	504	643	876	982	555	57	37	46	40	62	109	163	195		
Net debtor (-) or creditor position.....	3,334	3,709	3,658	3,737	4,138	4,533	4,628	5,028	2,417	3,213	3,641	3,786	3,664	4,456	5,023	5,268		

1. Includes the United States Government subscriptions to the International Bank and Monetary Fund. Excludes principal on World War I indebtedness amounting to \$1.4 billion at the end of 1933.

2. Includes the following estimated amounts of United States currency not distributed by area: 1940, \$633; 1947, \$704; 1948, \$798; 1949, \$812; 1950, \$772; 1951, \$817; 1952, \$848; 1953, \$839.

From that low point to the entry of the United States into world war II foreign-owned liquid assets were augmented first by the effects of the devaluation of the dollar and by flight capital from Europe, and then by the unspent portion of the proceeds from massive gold sales and liquidations of

other assets in the United States to finance European military expenditures. With restrictions on other than lend-lease exports and with rising foreign expenditures by the United States, foreign dollar assets began to accumulate during the war.

States, by Type of Investment and Area, Year ends, 1946-53

(in dollars)

Other Europe								Western European dependencies							
1946	1947	1948	1949	1950	1951	1952	1953	1946	1947	1948	1949	1950	1951	1952	1953
322	305	411	384	354	347	343	334	284	351	478	534	491	517	567	635
34	33	77	55	23	16	14	14	197	206	472	472	479	487	507	526
13	35	37	10	11	13	12	13	180	280	382	456	462	467	488	503
4	4	2	2	1	2	1	1	163	253	365	428	435	440	455	522
9	31	25	14	10	11	11	11	8	8	6	6	6	21	21	21
21	48	40	39	12	3	2	2	17	16	20	17	17	20	18	22
3	8	3	2	1	2	1	1	7	6	6	6	6	6	6	7
19	45	37	37	11	1	1	1	10	10	14	11	11	14	12	16
288	312	334	329	381	331	329	320	89	65	64	64	12	30	60	63
279	305	320	322	322	320	316	312	75	82	82	82	11	29	38	62
0	7	8	7	0	11	13	6	14	3	2	2	1	1	1	1
124	129	68	48	76	81	68	64	446	338	228	385	432	360	454	422
22	22	21	22	33	35	32	26	133	167	163	165	165	193	101	188
6	8	5	6	14	18	15	12	18	21	22	19	19	19	19	19
19	16	18	16	19	17	17	17	50	48	47	52	61	78	84	80
56	101	47	30	43	45	36	35	1	1	1	1	1	4	4	5
88	99	45	25	43	39	39	28	84	87	84	84	84	84	84	84
72	83	29	18	20	13	10	11	283	181	176	240	257	181	243	237
15	14	16	7	22	26	19	17	154	147	144	164	201	111	144	147
8	2	2	1	1	5	7	7	171	136	136	171	131	108	120	123
3	2	2	1	1	5	5	2	13	11	5	23	70	6	15	25
204	272	343	334	278	266	276	270	109	34	62	46	65	70	119	90
								21	21	21	22	22	22	22	22
								68	13	11	24	44	48	97	69
								-168	23	147	141	80	151	113	264

Other foreign countries								International institutions							
1946	1947	1948	1949	1950	1951	1952	1953	1946	1947	1948	1949	1950	1951	1952	1953
1,529	1,548	2,080	2,216	2,549	2,455	2,684	2,999	323	3,618	3,827	3,556	3,495	2,884	3,840	3,873
637	1,143	1,324	1,484	1,771	2,131	2,457	2,522	231	239	240	228	228	303	401	427
781	944	1,128	1,203	1,562	1,841	2,343	2,504	231	238	240	228	228	363	400	426
516	695	858	1,066	1,315	1,516	1,854	2,173								
87	90	104	102	116	176	228	264								
95	96	77	88	81	61	80	80		231	230	245	228	363	400	426
64	64	62	67	68	68	101	97								
178	188	196	191	200	290	344	328								
46	29	31	27	53	26	23	24								
152	169	165	164	161	302	221	304								
605	745	726	732	777	824	1,147	1,177	323	3,385	3,388	3,407	3,436	2,441	3,448	3,446
521	627	658	641	689	841	1,080	1,109	323	3,385	3,388	3,407	3,436	2,441	3,448	3,446
117	119	143	91	78	83	87	63								
2,714	1,472	1,626	1,283	1,638	1,235	2,444	2,437	474	2,347	1,938	1,837	1,828	1,868	1,874	1,949
216	308	190	184	197	205	312	317			1	3	6	9	13	17
35	38	42	44	44	45	46	47								
70	62	60	49	60	67	72	73								
23	30	11	6	7	7	8	10			1	3	6	9	13	17
58	88	87	85	86	89	86	87								
1,488	1,504	1,336	1,098	1,638	2,130	2,232	2,230	474	2,347	1,937	1,834	1,815	1,879	1,861	1,932
713	682	816	866	1,270	1,531	1,778	1,877	78	372	314	330	70	40	70	83
627	425	748	837	1,253	1,543	1,677	1,770	78	372	314	330	70	40	70	83
55	57	68	29	18	38	99	107								
784	572	520	232	368	499	468	443	800	1,975	1,643	1,405	1,745	1,539	1,732	1,549
36	46	48	45	35	31	20	20		73	82	107	258	258	276	286
749	524	477	185	333	468	436	323	800	1,900	1,601	1,328	1,460	1,573	1,506	1,503
-85	416	524	833	713	720	1,186	1,542	-151	1,289	1,689	1,619	1,834	1,916	1,996	1,924

NOTE.—For principles of valuation, sources and methods see technical note accompanying this article. In particular, all figures given are at least partly estimated and are therefore subject to varying margins of error. Data for 1953 are preliminary.

SOURCE: Office of Business Economics, Balance of Payments Division.

Table 3.—Foreign Holdings of Domestic Stocks, by Countries, for Year Ends 1946-53

(Market values in millions of dollars)

Country	1946	1947	1948	1949	1950	1951	1952	1953
Total¹	2,440	2,730	2,055	2,240	2,075	2,200	2,443	3,400
Canada¹	400	440	460	480	525	615	570	650
Western Europe, total¹	1,000	1,330	1,240	1,480	1,330	2,200	2,375	2,350
Belgium	52	60	60	68	83	101	110	103
Denmark	4	4	4	4	5	6	7	7
France	123	133	90	67	90	59	99	100
Italy	6	6	6	7	10	13	14	14
Netherlands	130	301	303	312	267	403	411	374
Norway	10	9	8	9	11	14	15	15
Sweden	42	41	40	44	62	59	64	62
Switzerland	805	501	448	523	633	789	805	803
Turkey	1	1	1	1	1	1	2	2
United Kingdom	418	266	306	450	570	705	731	744
Other	10	15	16	16	22	23	27	25
Other Europe	0	0	0	0	14	18	16	19
Western European dependencies	50	48	47	52	61	78	84	80
British	46	43	42	46	56	70	78	72
Other	4	5	5	6	5	8	6	8
Latin American Republics¹	274	154	163	173	105	232	240	245
Argentina	9	10	11	12	13	14	15	10
Brazil	11	10	11	12	13	14	15	17
Chile	7	8	8	8	9	11	12	12
Colombia	1	1	1	1	2	2	3	1
Costa Rica	1	1	1	1	1	1	1	1
Cuba	21	13	19	21	23	31	33	31
Ecuador	8	7	7	8	10	11	12	11
El Salvador	2	2	2	2	2	3	3	3
Mexico	20	23	25	25	31	35	37	34
Panama	40	25	27	27	26	33	34	33
Uruguay	32	31	30	34	34	40	44	44
Venezuela	9	6	10	12	17	22	25	26
Other	4	5	11	8	10	13	14	15
East of world¹	60	53	40	39	50	57	62	63
Australia	5	5	4	4	5	6	6	6
China (Formosa)	27	23	11	11	14	16	17	17
Egypt	3	3	2	2	3	3	3	3
India	3	3	2	2	3	3	3	3
Indonesia	1	2	2	2	2	2	2	2
Israel	2	2	2	2	2	2	2	2
Philippine Republic	5	5	5	5	7	7	8	7
Union of South Africa	3	3	2	3	3	4	4	3
All other	13	6	8	5	7	11	13	18

1. Grand total and area totals exclude the following holdings by United States citizens resident abroad approximately as given for 1941 in the Treasury Census, TFR 300: Total, \$250 million; Canada, \$25 million; Latin America, \$40 million; Western Europe, \$175 million; other countries, \$10 million. These amounts are included in table 2.

Source: U. S. Department of Commerce, Office of Business Economics.

As shown in table 2, foreign short-term or liquid assets in the United States reached nearly \$9 billion by the end of 1946 and increased to \$14.5 billion at the end of 1953. Not only are these amounts far greater than holdings in earlier years, they are also different in character. Whereas perhaps \$1 billion, or one-third of the total, was owned by foreign official accounts in the late 1920's, nearly \$9 billion, representing 60 percent of the total, was held in such accounts and by international institutions at the end of 1953. Of the \$5.6 billion increase in foreign liquid dollar assets in the 1946-53 period, approximately \$4 billion was in foreign official and international agency accounts.

Although foreign holdings of liquid dollar assets advanced steadily from 1946 through 1953, this does not indicate the movement of all foreign liquid funds. When foreign gold reserves are combined with liquid dollar assets, as in table 3, the impact on foreign reserves of the postwar course of the balance of payments between foreign countries and the United States is much more evident. In particular, the sharp drop of \$4.4 billion in the gold and dollar reserves of foreign countries in 1947 and 1948 represented their sales of gold to the United States as dollar balances were maintained with little change. Gains in reserves made after the outbreak of the Korean war and again starting with the strengthened economic situation of foreign countries in 1952 were partially converted into gold, so that they are not fully reflected in increased holdings of dollar assets.

Table 4.—Value of Foreign-Owned Domestic Stocks, by Industry, for Year Ends 1934 and 1949

(Millions of dollars)

Industry	1934	1949 in 1934 prices	1949 at current prices
Total	1,533	1,245	1,240
Automotive	33	30	174
Banks	52	31	38
Construction and building supplies	8	23	37
Chemical	88	85	109
Food	103	89	129
Merchandising	47	50	63
Mining	66	73	119
Paper	15	4	36
Petroleum	103	138	324
Railroad and equipment	188	98	102
Steel	57	64	144
Textile	16	14	37
Tobacco	45	40	44
Utilities	234	152	232
Miscellaneous	172	182	333
Not distributed	314	117	205

1. Excludes holdings of United States citizens resident abroad which are included in table 2.

Source: U. S. Department of Commerce, Office of Business Economics.

Table 5.—Estimated Foreign Gold Reserves and Dollar Holdings, 1946-53

(Millions of dollars, year ends)

	1946	1949	1950	1953	1953
Total	19,399	18,384	22,227	23,756	26,586
Total foreign countries	19,418	11,988	19,137	30,459	23,044
Continental Western Europe and dependencies	7,268	3,920	6,829	8,508	10,000
United Kingdom and dependencies	2,067	3,521	2,677	2,431	3,117
Other Europe	580	442	344	367	308
Canada	1,475	1,321	1,986	2,422	2,416
Latin America	2,036	2,714	3,453	2,308	3,623
Other foreign countries	2,463	2,530	2,944	3,503	3,528
International institutions	489	3,375	3,090	3,287	3,542

Source: *Foreign Reserves Bulletin*, March 1954. The dollar assets given in this source exclude certain dollar assets given in table 2, primarily certain United States Government long- and short-term obligations, and liabilities to foreigners of nonbanking enterprises in the United States. For various qualifications see the notes in the original source; in particular, gold reserves of the U. S. S. R. are excluded.

Technical Notes

Definitions.—Long-term assets or investments are those with a maturity of more than one year or no stated maturity, such as equities. Short-term assets are payable on demand or with an original maturity of one year or less.

Direct investments are those enterprises in which the foreign investor has a controlling managerial interest, essentially defined for statistical purposes as an ownership of 25 percent or more of the voting stock of a subsidiary company. Foreign branches, of course, are wholly owned by the parent company. Some exceptions are made from this statistical criterion if warranted by the actual circumstances of control.

Portfolio investments comprise holdings of securities, other than those of direct-investment enterprises, and miscellaneous interests such as debts and claims, real property, insurance, estates and trusts, etc.

Valuation of investments.—Direct investments are given at book value; in the case of United States direct investments abroad the values are as they appear on the books of the foreign enterprises, converted into dollars, when necessary, according to standard accounting practices (see *Foreign Investments of the United States*, appendix). Securities are given at their market value, other investments or assets at their stated value.

Source and methods.—U. S. direct investments abroad—based on *Foreign Investments of the United States*, a special 1933 supplement to the *Survey of Current Business*, carried back to 1940 and forward to 1953 on the basis of information on capital flows and earnings supplied on quarterly questionnaires by the larger companies, plus data collected from SEC and tax returns and public sources.

Foreign dollar bonds.—Based on the records of the Balance of Payments Division and the Treasury Census, TFR 300, *Census of American-Owned Assets in Foreign Countries*. The Treasury data for 1943 have been carried forward on the basis of monthly data on purchases and sales of foreign securities, supplemented by information collected annually from the fiscal agents and public reports of new issues and redemptions.

Foreign currency stocks and bonds.—Based on the Treasury Census, TFR 300, for 1943, carried forward on the basis of monthly reported purchases and sales supplemented, in the case of Canada, by data collected in that country. Market values are adjusted to eliminate, as far as possible, holdings with no present value, and to take account of price and exchange rate fluctuations in major countries, particularly Canada and the United Kingdom.

Other long-term investments abroad.—Based on the Treasury Census, TFR 300, for 1943, adjusted to eliminate assets now believed to be worthless. Annual changes are based largely on monthly and quarterly data reported to the Treasury Department by banks and commercial concerns.

Short-term assets abroad.—Based very largely on data reported monthly or quarterly to the Treasury Department by banks and commercial concerns, plus data reported to the Balance

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Table 7.—Number of Firms in Operation and Paid Employment by Industry and Size of Firm, 1945-51—Continued
(Thousands)

Industry	Number of firms in operation									Paid employment								
	All size classes	Employee size classes								All size classes	Employee size classes							
		0-3	4-7	8-10	20-49	50-99	100-499	500-999	1,000 or more		0-3	4-7	8-10	20-49	50-99	100-499	500-999	1,000 or more
	January 1, 1951									Mid-March, 1951								
Service industries—Continued																		
Business services	98.7	78.7	10.6	6.5	2.4	.7	.41	.03	.08	482	87	66	82	72	45	79	20	81
Automobile repair	77.7	66.3	8.1	3.3	.7	.1	.03	(¹)	(¹)	174	58	42	39	21	7	6	1	(¹)
Miscellaneous repair	84.0	70.4	6.0	2.0	.6	.1	.04	(¹)	.01	128	34	26	24	14	6	1	1	19
Motion pictures	14.8	4.9	3.5	4.0	1.4	.9	.20	.02	.03	247	7	19	50	43	24	37	14	53
Other amusements	31.8	32.3	7.8	6.7	2.2	.4	.17	.01	(¹)	273	31	43	71	95	28	51	3	(¹)

1. Additional industry detail for 1950 and data for 1947 are available upon request. Estimates are not available for 1949.

2. Includes tobacco manufacturers.

3. Includes appliances and radios.

4. Less than 50 firms.

5. Less than 5 firms. 6. Less than 500 employees.

Source: U. S. Department of Commerce, Office of Business Economics estimates, based primarily on data from the U. S. Department of Health, Education, and Welfare, Bureau of Old-Age and Survivors Insurance.

Technical Notes

The sources of data and methods employed in preparing business population estimates were described in the technical notes to the article, Recent Business Population Movements, which appeared in the January 1954 Survey. The distributions of the number of firms in operation and of employment by employee-size classes were prepared within this framework, primarily from Bureau of Old-Age and Survivors Insurance information supplemented by data from the Interstate Commerce Commission and the Railroad Retirement Board for interstate railroads and related employers not covered by the Social Security Act. Railroad and related employment represent annual averages; BOASI employment is as of the payroll period ending nearest March 15.

BOASI furnished tabulations of employees and mid-March paid employment by employee-size classes, by detailed industry, and by State or territory. These tabulations covered the estimated total number of employees in operation at any time during the first calendar quarter of the years 1945-49 and 1951. The BOASI tabulations were combined with the supplementary data and further adjusted to: (1) exclude employers coming into operation during the first quarter to yield estimates as of January 1; (2) include estimates of the number of firms in operation with no paid employees; and (3) exclude employers covered by BOASI but not in the scope of the business population, such as employers operating only outside the limits of the continental United States or in the fields of agriculture or the professional services.

The size distributions presented here show the number of firms in operation January 1, while employment is essentially as of mid-March. This difference in timing does not appreciably affect any of the comparisons.

Firms are classified by industry according to the major activity of the firm as a whole. For a firm engaged in more than one line of business but which consists of a single establishment, the major activity is determined on the basis of gross receipts or sales. The major activity of each establishment of a multifirm firm is determined in the same way, but in combining these establishments, employment is the factor used to determine the major

activity of the firm as a whole. The size classification of a multifirm firm is, of course, according to the firm's total employment.

In 1949, multieestablishment firms which were also in operation in 1948 were given the industry classification determined for the previous year. In all other years, multifirm firms were classified by industry on the basis of current-year information. In some cases this procedure may have resulted in firms changing industry lines from one year to the next. Although glaring inconsistencies are not apparent, this factor should be kept in mind when examining the data for the upper size classes by detailed industry.

The industry breakdown of employment presented here differs considerably from one based on the industrial classification of "establishments" rather than "firms." Estimates of paid employment by major industry division on an establishment basis were prepared from "1951 County Business Patterns," published jointly by the U. S. Department of Commerce and the U. S. Department of Health, Education, and Welfare. County Business Patterns relies upon the same basic data as business population statistics, but classifications are based upon "reporting units" rather than "firms." Reporting units, especially with respect to industry totals for paid employment, are essentially the same as "establishments." In order to achieve comparability between the two employment estimates, it was necessary to adjust the County Business Patterns data for late tax returns and for a small number of reporting units for which the industry classification was unknown.

A change from a firm to an establishment classification in 1951 would result in a net change in the major industry classification of an estimated 700,000 employees, or about 3 percent of all paid employment. The effect would be particularly important in wholesale trade, where a change to an establishment classification would increase employment by roughly one-fourth. In mining and quarrying, employment would increase 5 percent, and in manufacturing and the service industries, employment would decrease about 4 percent. In all other major industry divisions of the business population, a change from a firm to an establishment classification would change total employment less than 1 percent.

International Investment Position of the United States

(Continued from p. 14)

of Payments Division on short-term foreign assets of United States Government agencies. Foreign direct investments in the United States—based on the Treasury Census, TFR 300, Census of Foreign-Owned Assets in the United States, for 1951, carried forward on the basis of data on capital flows and earnings supplied on quarterly questionnaires by the larger companies, plus data collected from tax returns and public sources.

Foreign investments in United States corporate stocks and bonds—based on a complete tabulation from withholding tax statements filed with the Bureau of Internal Revenue giving 1950 holdings for bonds and 1949 holdings for stocks. No attempt was made to allow for omissions due to incomplete filing, noninterest-paying bonds, or nondividend-paying stocks—it is believed after study that the omission of these holdings does not materially affect the total. A total of \$250 million was included in corporate stocks each year to allow

for holdings of United States citizens resident abroad, as given in the Treasury Census. Also included in the total are foreign holdings of about \$100 million of state and municipal bonds, based on the Treasury Census, which are not subject to withholding.

Other long-term investments in the United States—based on the Treasury Census, TFR 300, adjusted to allow for debts and claims no longer existing. Changes from year to year are based largely on data reported to the Treasury Department monthly or quarterly by banks and commercial concerns.

Short-term dollar assets owned abroad—same as United States short-term assets abroad, plus an allowance for omissions based on the Treasury Census TFR-300, currency shipments reported by banks, and minor additions based on unpublished data.

United States Government long-term securities owned abroad—based on the Treasury Census, TFR-300, carried forward from 1941 to 1949 on the basis of an estimated breakdown of data reported monthly to the Treasury. For 1950-53 the data reported to the Treasury on transactions in United States Government bonds were adjusted to eliminate certain apparent discrepancies.

Table 6.—Factors Affecting the Value of United States Long-Term Private Investments Abroad, 1947-53

(Millions of dollars; reductions (-))

Item	1947	1948	1949	1950	1951	1952	1953
Direct investments, beginning of year	7,327	8,305	9,025	10,700	11,788	13,080	14,819
Net capital outflows from United States	749	721	680	421	523	850	697
Undistributed subsidiary profits	390	502	425	475	752	878	691
Other factors	-24	-10	-10	-8	22	4	1
Direct investments, end of year	8,966	9,625	10,700	11,788	13,080	14,819	16,517
Foreign dollar bonds, beginning of year	1,524	1,503	1,058	1,728	1,692	2,071	2,244
New issues	396	150	118	254	491	287	270
Redemptions	-265	-69	-103	-391	-113	-96	-62
Price fluctuations and adjustments	-62	7	55	11	1	-48	-75
Foreign dollar bonds, end of year	1,503	1,658	1,728	1,692	2,071	2,244	2,577
Other foreign securities and miscellaneous, beginning of year	3,512	3,517	3,441	3,209	4,008	4,135	4,027
Net purchases of securities	-137	7	-32	322	-25	-134	-274
Other capital outflows and loans	85	-25	107	220	94	126	-115
Price fluctuations and adjustments	57	-65	-300	237	68	-101	-91
Other foreign securities and miscellaneous, end of year	3,517	3,444	3,209	4,008	4,135	4,027	3,547

Source: U. S. Department of Commerce, Office of Business Economics.

Table 7.—Factors Affecting the Value of Foreign Long-Term Investments in the United States, 1947-53

(Millions of dollars; reductions (-))

Item	1947	1948	1949	1950	1951	1952	1953
Direct investments, beginning of year	2,403	2,403	2,787	2,941	3,128	3,330	3,510
Net capital flow to United States	10	34	54	64	66	107	128
Undistributed subsidiary profits	00	180	119	153	126	82	99
Direct investments, end of year	2,403	2,787	2,941	3,128	3,330	3,510	3,744
Corporate, state and municipal securities, beginning of year	2,919	2,473	2,443	2,607	3,100	3,639	3,933
Net capital flow to United States	-170	-197	18	3	124	38	89
Price fluctuations and adjustments	-76	-33	206	426	308	288	-81
Corporate, state and municipal securities, end of year	2,673	2,443	2,667	3,106	3,639	3,662	3,910
Other private obligations, beginning of year	1,503	1,544	1,036	1,314	1,500	1,481	1,478
Net capital flow from United States	-10	-18	-12	-14	-19	-2	-1
Other private obligations, end of year	1,544	1,526	1,514	1,500	1,481	1,478	1,477

Source: U. S. Department of Commerce, Office of Business Economics.